



Utah!

EXTERNAL MARKETING UPDATE

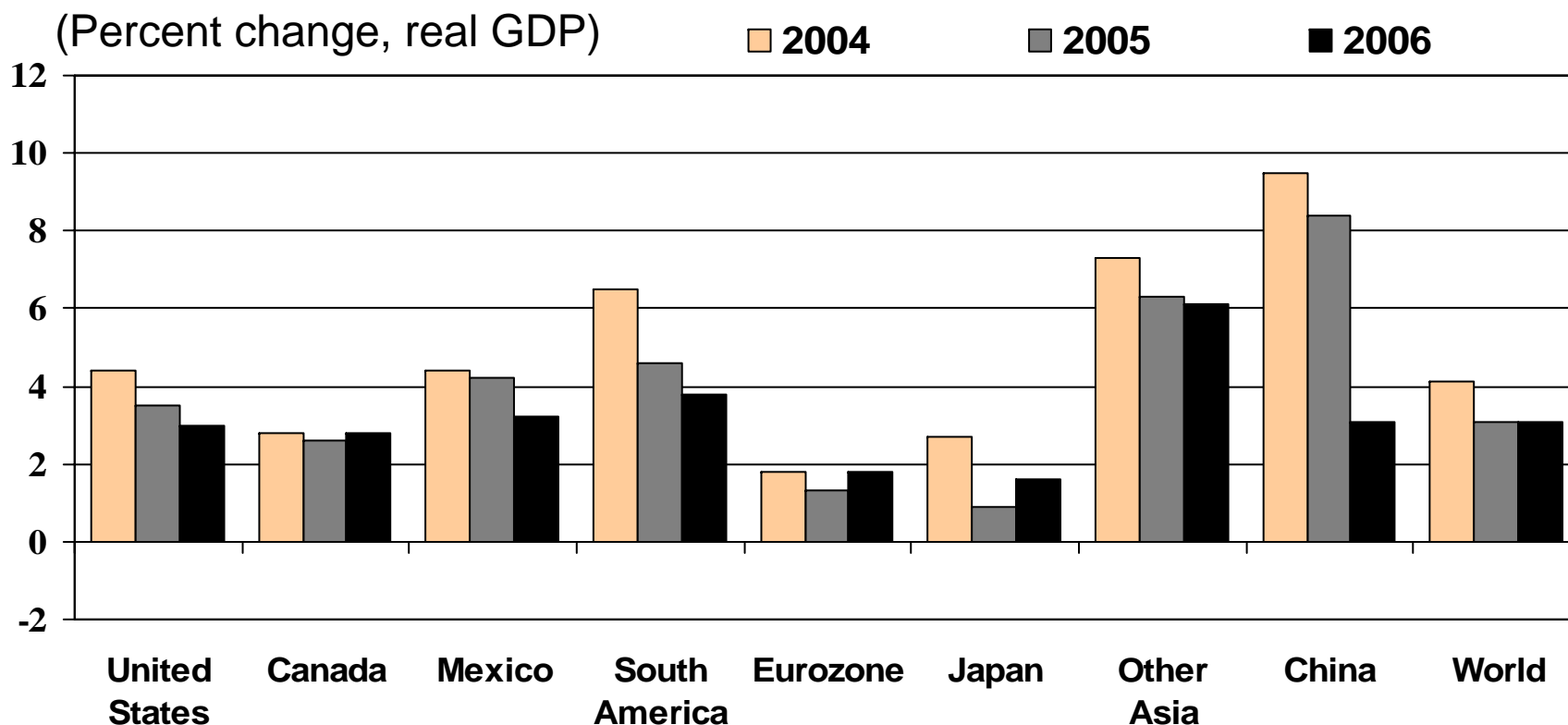
Inbound Tourism to Utah

Governor's Office of Economic Development

Utah Office of Tourism

July 2005

GROWTH VARIES BY REGION

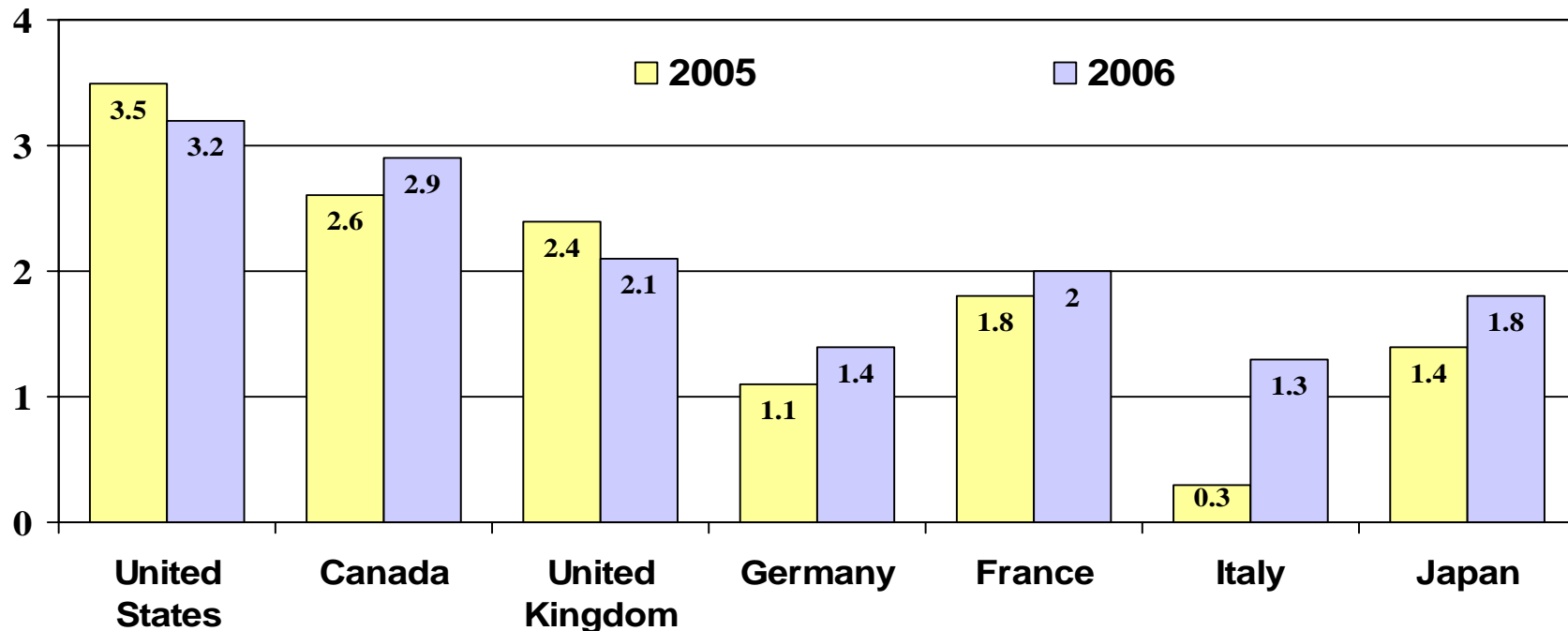


- Growth slowing but respectable in North and South America
- Eurozone growth is minimal
- Strong year for Asia (not-including Japan)
- Marginal growth in Japan

SOURCE: Global Insight, June. 2005

Growth Varies by Region

Economic Forecast for 2005 and 2006 GDP Growth Rates



- U.S. consumer confidence hit 3-year high in June 2005
- Japanese retail sales dropped in May but are still higher than in 2004
- Mixed signals in Europe

SOURCE: The Economist poll of forecasters, July 2005

EUROZONE WOES

HIGHLIGHTS

- Eurozone GDP growth in first quarter of 2005 was best since first quarter of 2004
- Still, business confidence declined
- Margins were squeezed by high oil prices, the strength of the Euro, and intense competition
- Consumer confidence is low and labor markets are soft
- Spain has had the best performance recently
- Trend – slower growth in GDP throughout the year

Global Setting

Still Face Uncertainty

- World Economy – U.S. and China drive the global economic expansion
- Eurozone worrisome
- Japan – encouraging growth in consumer spending
- Geo-political Concerns – War in Iraq, rejected European constitution, unpopular governments in France and Italy
- Latest acts of terrorism in London



U.S. ECONOMIC OUTLOOK

U.S. economy growing, but at a slower rate



- U.S. GDP growth of 3.5% expected in 2005, 3.0% in 2006
- Manufacturing growth has slowed
- Business investment is improving, but export growth is unimpressive
- 25-basis-point rate hikes expected at every Federal Reserve Meeting through November
- Housing is hot and consumer spending is solid

SOURCE: Global Insight, June 2005

Mixed Signals

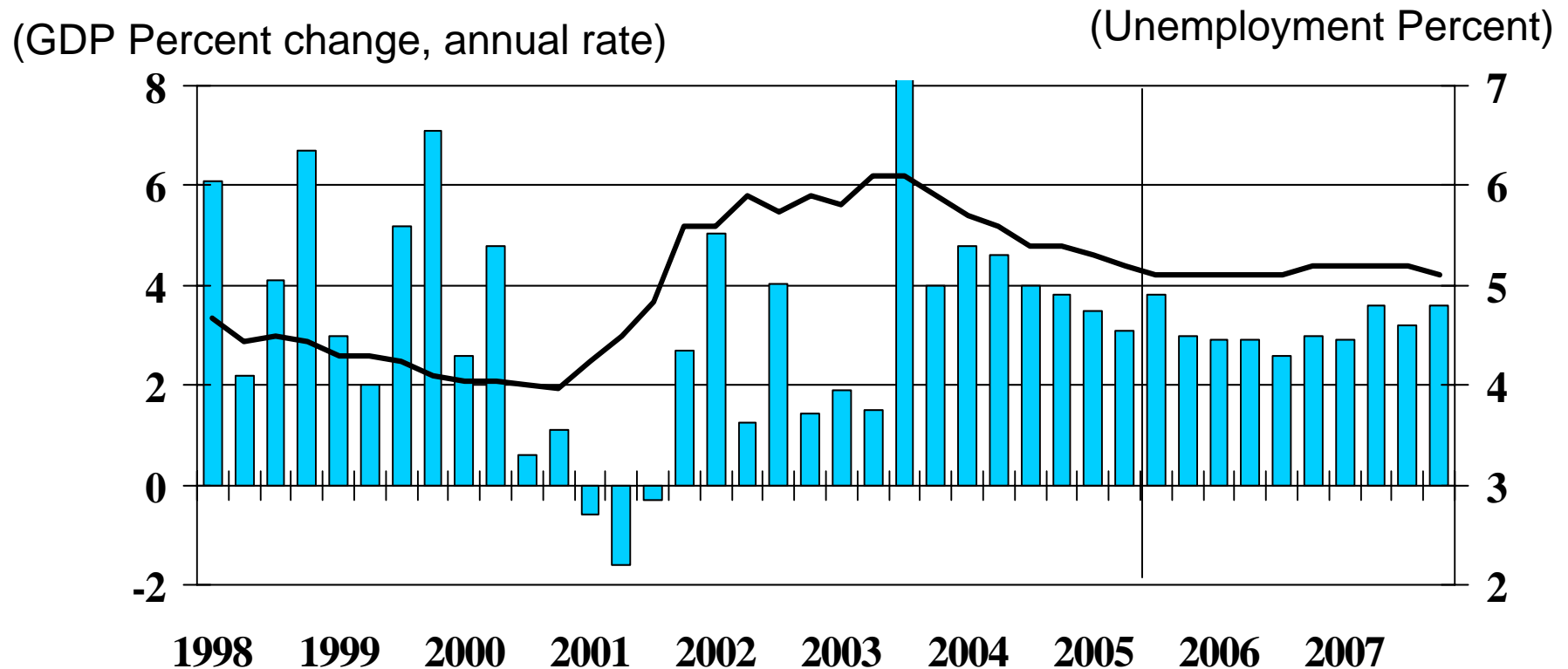
SUMMARY

- Consumer spending still a key driver of the economy
- Housing is red-hot, but won't outgrow the economy indefinitely
- U.S. demand is surging, but foreign demand is declining
- U.S. dollar driven higher against the Euro due to Europe's weak growth and political problems – but the dollar's long-term path is down
- Expect core Consumer Price Index inflation of 2.5%



SOURCE: Global Insight, June 2005

U.S. Expansion Gradually Slowing

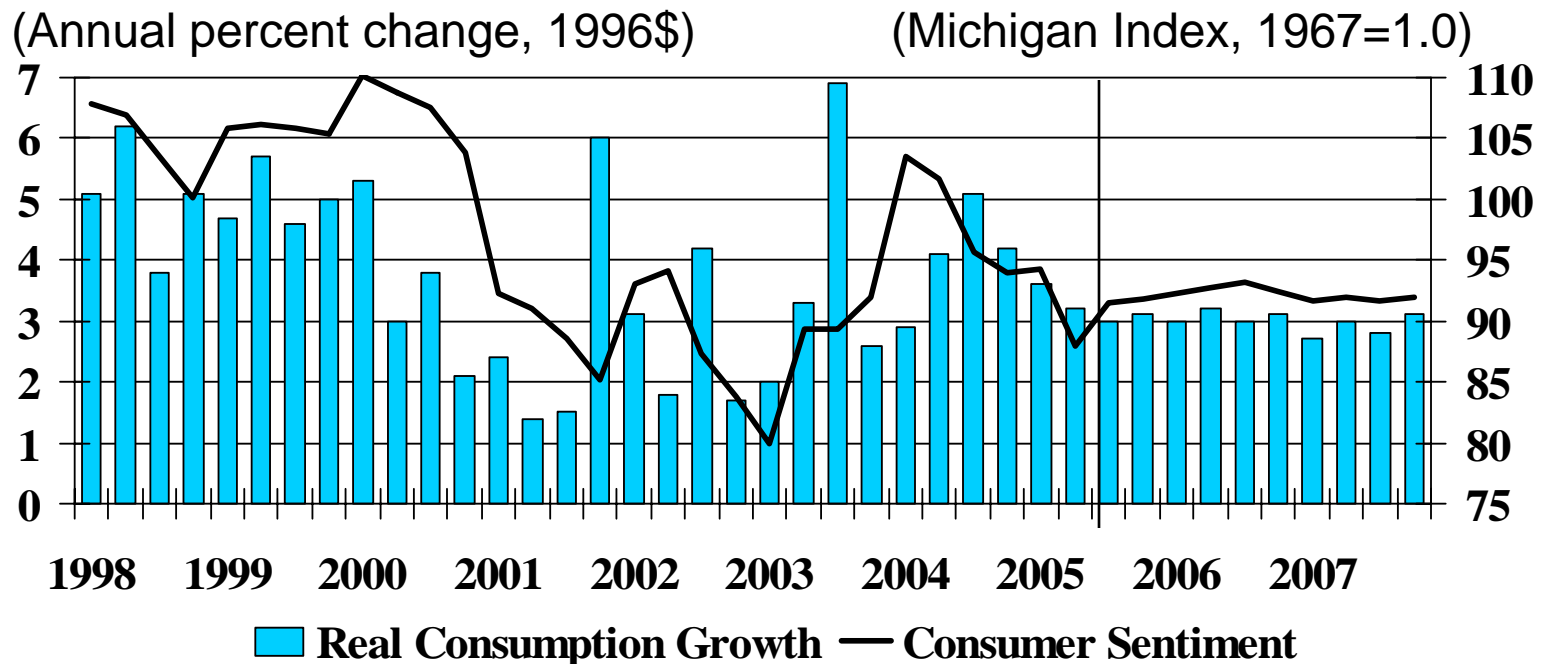


- In 2005, consumer spending and housing market are hot, but will slowly lose steam
- Unemployment has leveled-off; average monthly job growth should be very similar to average monthly growth in 2004

SOURCE: Global Insight, June 2005

THE CONSUMER ENGINE

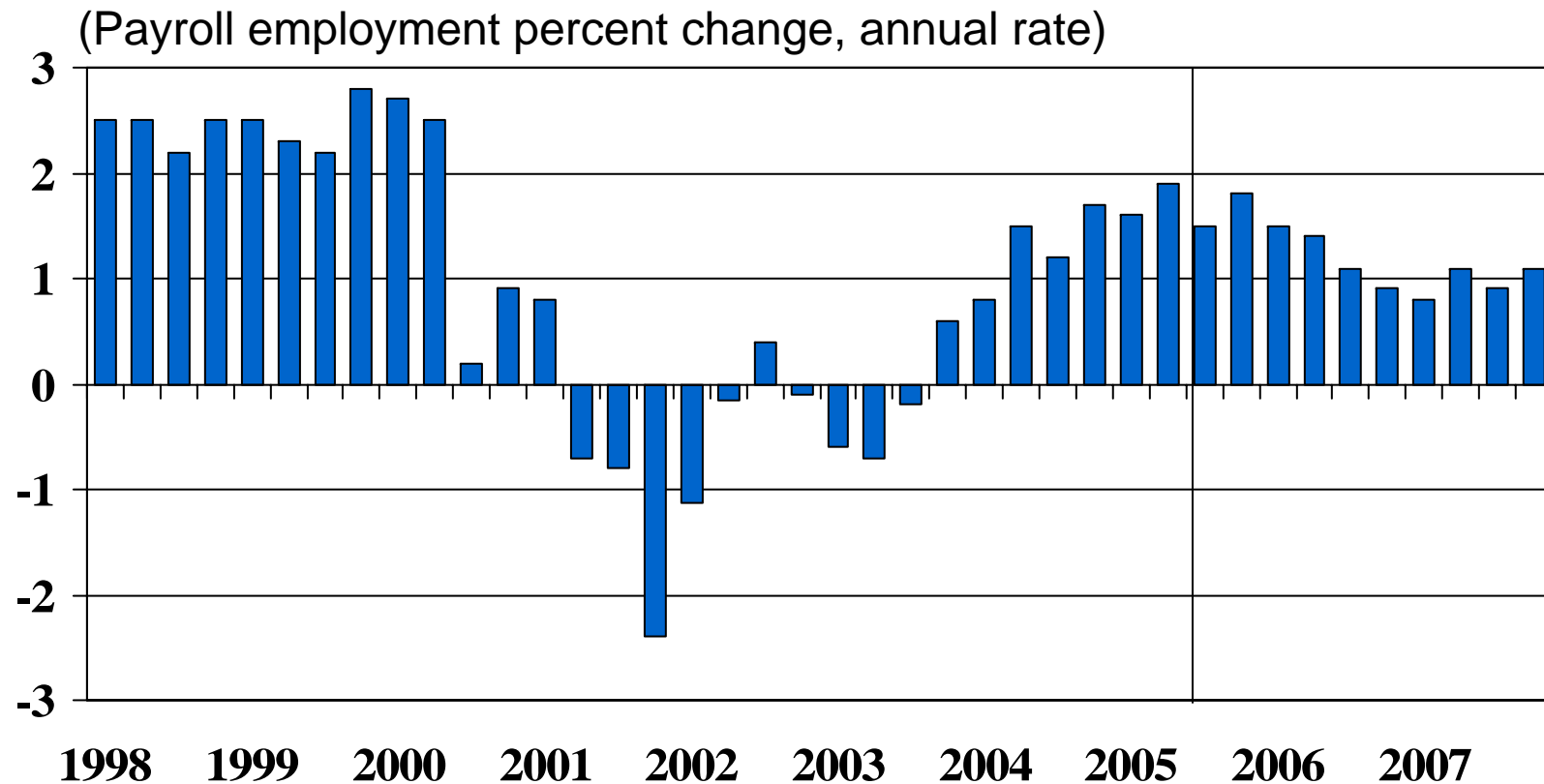
Confidence and Spending



- Consumers continue to spend, but not as much as in the latter-half of 2004
- In 2005, consumer spending will be restrained by rising interest rates, higher tax burdens, high energy costs, and fewer mortgage refinance cash-out, but outright declines are not anticipated

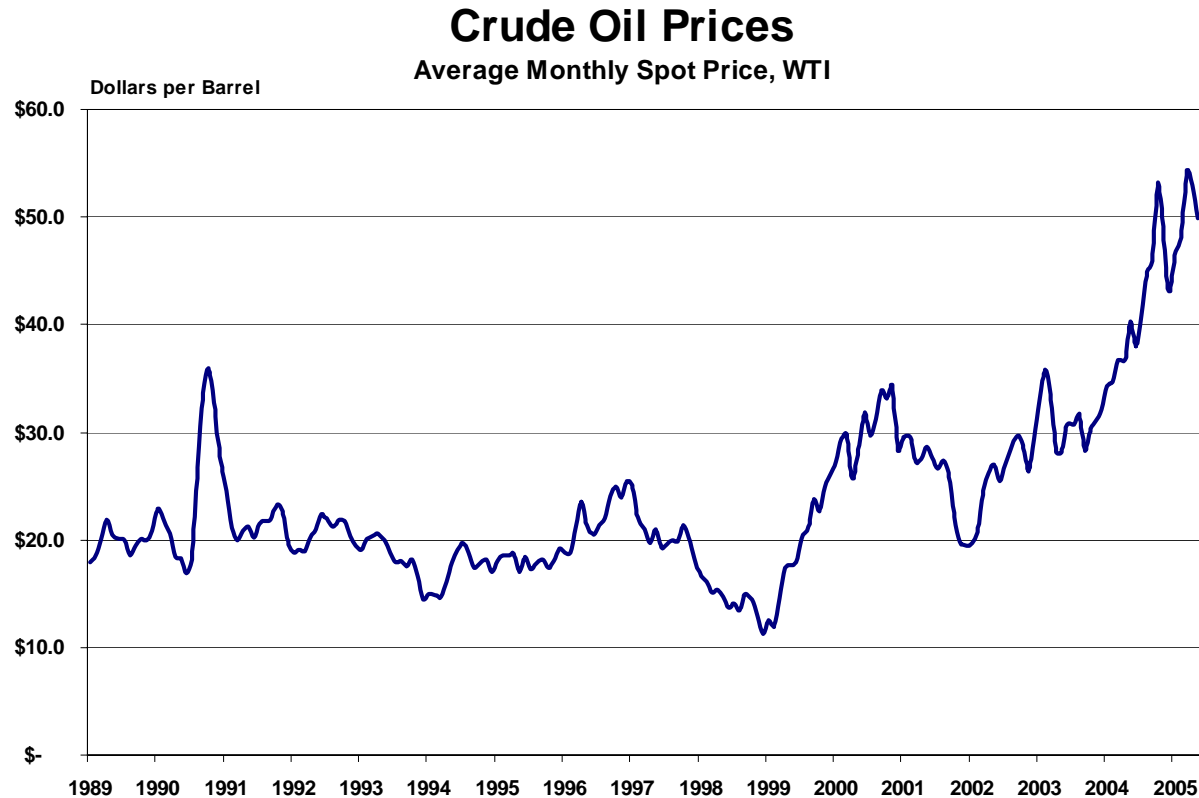
EMPLOYMENT GROWTH

2.2 million jobs should be added in 2005



- Employment growth of 1.7% (186,000 jobs) per month is expected in 2005, almost exactly the same as the average gains in 2004

ENERGY PRICES VERY HIGH



- Gasoline prices have hit an all-time high due to high oil prices
- Other factors (high demand while non-OPEC supplies continue to disappoint)
- Higher energy prices

**SOURCE: Energy Information Administration;
Global Insight, June 2005**

New Realities

Consumer Expectations and Industry Challenges

It appears that the tourism industry survived the effects of the tragedy of 9/11, the war on terrorism, and the weak economy of previous years, and has seen steady improvement in 2004 and 2005. Yet, there are new realities of vacationers that need to be recognized:

- **Value:** Times are still uncertain, and people are thinking more carefully about how to spend their vacation dollar
- **Lifestyle:** People want extraordinary vacation experiences, tailored to their unique habits and behaviors, which are continually changing
- **Experiences – Not Products:** People are looking for a unique experience - the product is secondary
- **Global Competition:** The U.S. ranks third behind France and Spain as an international travel destination - competition is increasing around the world for international visitors

SOURCE: An address by James A. Rasulo, President, Walt Disney Parks & Resorts, given at the TIA 2004 Marketing Outlook Forum

VISITOR TRENDS

Trends Occurring More

Travel Industry Association members reported the following visitor trends occurred more in the past year:

- Online info requests (reported by 85% of TIA members)
- Booking online (reported by 70% of TIA members)
- Booking at the last minute (reported by 66%)
- Traveling closer to home (reported by 55%)
- More spending (reported by 35%)
- Less spending (reported by 29%)
- Traveling farther from home (reported by 23%)
- Using traditional travel agents (reported by 10%)

SOURCE: TIA

WHAT THIS MEANS FOR TRAVEL

HIGHLIGHTS – Economic & Social Trends

- Domestic trips should continue to grow but at a slower rate than in 2004
- More international visitors should come to U.S. due to weak dollar and general acceptance of current geopolitical conditions
- Leisure travel steady/growing -- business travel will rise but still below 2000 levels
- Strong family-based travel (VFR & family-friendly places)
- Niche markets moving mainstream (adventure, cruise, spa, RV, heritage, eco/geo-tourism)
- Focus on destination uniqueness – the experience (local foods, distinctive lodging, specialty shopping, special events, cultural attractions)
- Greatest gains in U.S. room demand and revenue are in the South Atlantic and Pacific regions

SOURCE: TIA

WHAT IT MEANS FOR TRAVEL

HIGHLIGHTS – Economic & Social Trends

- In 2004, Utah experienced increased visitation at the state's five national parks, and the 2004-05 and 2003-04 ski seasons were the best on record
- Visitation at the state's national monuments and recreation areas was down slightly
- Statewide occupancy increased 2.2% in 2004
- It is projected that traveler spending and other tourism indicators will increase in 2005. The state tourism office received an additional \$10 million in funding for marketing the state to out-of-state visitors, and this money should make an impact over the next few years (it will take some time for the additional spending to result in visits)
- Threats to reaching the projections include factors beyond the control of the state and the industry, including the economy, terrorism, drought, wildfires, high energy prices, etc

SOURCE: Utah Office of Tourism

INTERNATIONAL TOURISM

International travelers represent high value visitors, spending nearly twice as much per trip as domestic travelers

Top Markets to Utah

- Canada
- Mexico
- Germany
- United Kingdom
- France
- Japan
- Netherlands
- South Korea
- Italy
- Australia

THE WORLD



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;
Menlo Consulting Group, Inc.

INTERNATIONAL TOURISM

Recent survey data points to continued international visitation to Utah

Survey of Moab Visitors, 2002

Total International Visitors: 15%

- Canada 24%
- United Kingdom 16%
- Germany 14%
- France 12%
- Switzerland 7%
- Italy 6%
- Netherlands 5%

Ski Utah Skier and Snowboard Survey 2002-03

Total On-Mountain Int'l. Visitors: 3%

- United Kingdom 27%
- Canada 17%
- Mexico 7%
- Germany 7%
- Australia 7%

According to a survey of website visitors to utah.com, over 30% are from outside the U.S.

**SOURCE: Moab Survey conducted by Wikstrom Economic and Planning Consultants;
Ski Survey conducted by RRC Associates**

INTERNATIONAL TOURISM RISK ASSESSMENT

UPSIDE POTENTIAL

- In 2005, arrivals to the U.S. are forecast to grow by 6.5 percent to reach a total of 49.1 million visitors
- Europe is the top overseas generating region, and expected to increase arrivals to the U.S. by 8.6% in 2005
- U.S. arrivals from Asia are forecast to grow by 7.2% in 2005
- South American arrivals are forecast to increase by 7.6% in 2005
- Canada and Mexico are still the largest international markets for tourists to the U.S. and Utah, and that will continue

DOWNSIDE RISKS

- Long-term geo-political tensions could threaten long-haul travel demand
- Lack of economic growth in Europe and Japan may dampen viability of long-haul vacations in the short-term
- Increasing competition from emerging markets places competitive pressures on mature destinations
- U.S. policy continues to raise access barriers – tighter security is seen as regrettable but necessary – aggravation arises from inconsistent application of the policy

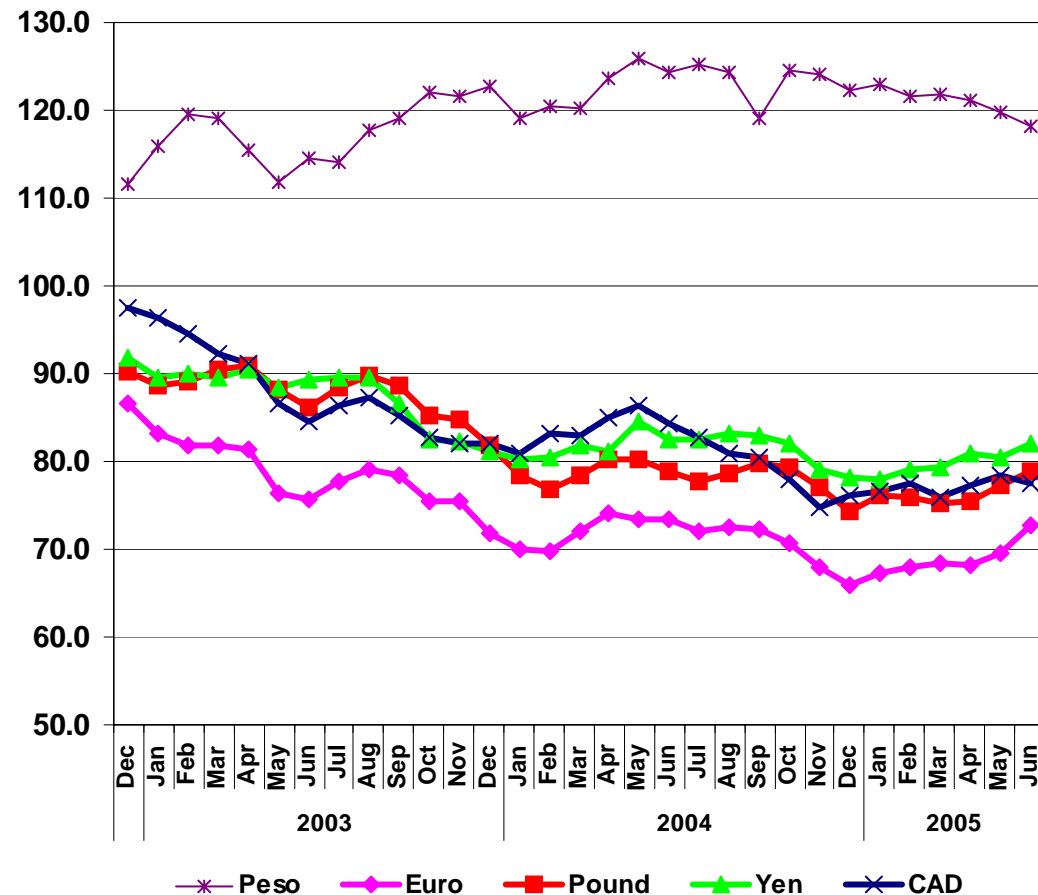
SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries

U.S. STILL AFFORDABLE

- The value of the U.S. dollar has increased in recent weeks, but long-term projections still show it declining further
- In 2004, the dollar hit an all-time low against the Euro and a 12-year low against the British Pound
- Expected exchange rates should continue to make U.S. vacations more attractive from international markets

Exchange Rate Index vs. US Dollar

Avg. Monthly Exchange Rate, January 2001=100



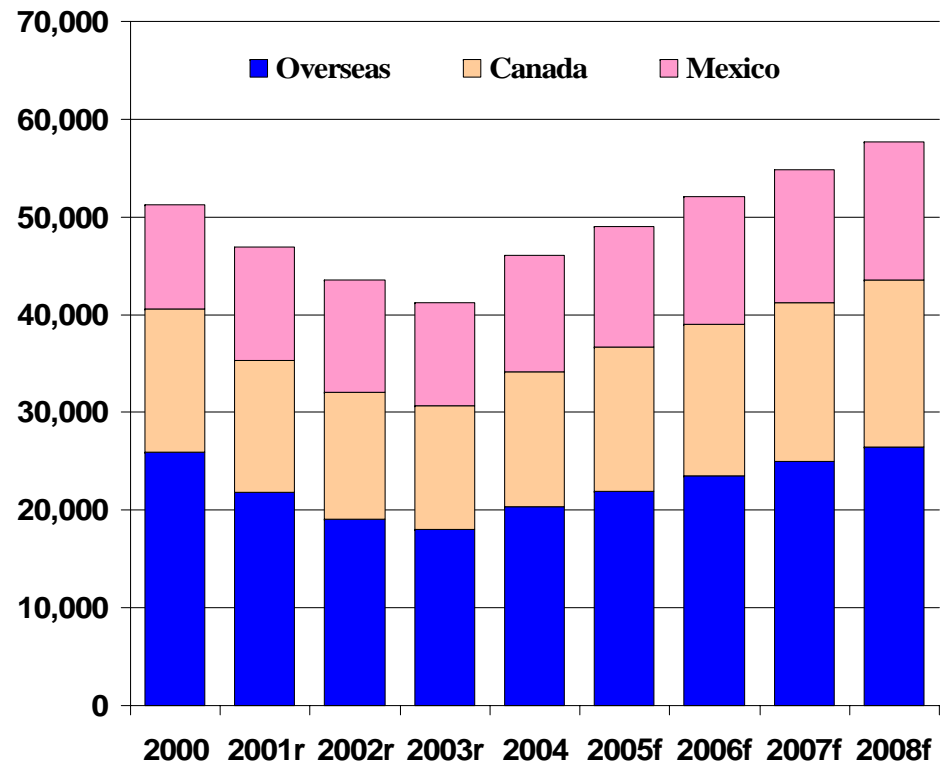
SOURCE: The Federal Reserve Bank of New York; x-rates.com; Thomson Datastream in The Economist, March 13th-19th 2004; fxcm.com; Global Insight, June 2005

INTERNATIONAL TRAVEL TO THE U.S.

TOURISM NEWS

- In 2004, 32 cities and 22 states enjoyed double-digit growth in overseas visitors
- Overseas arrivals will nearly return to 2000 levels by 2007
- Stronger growth from North America means U.S. destinations will increasingly rely on travelers from Mexico and Canada

International Travelers
to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries; Global Insight June 2005



CANADA

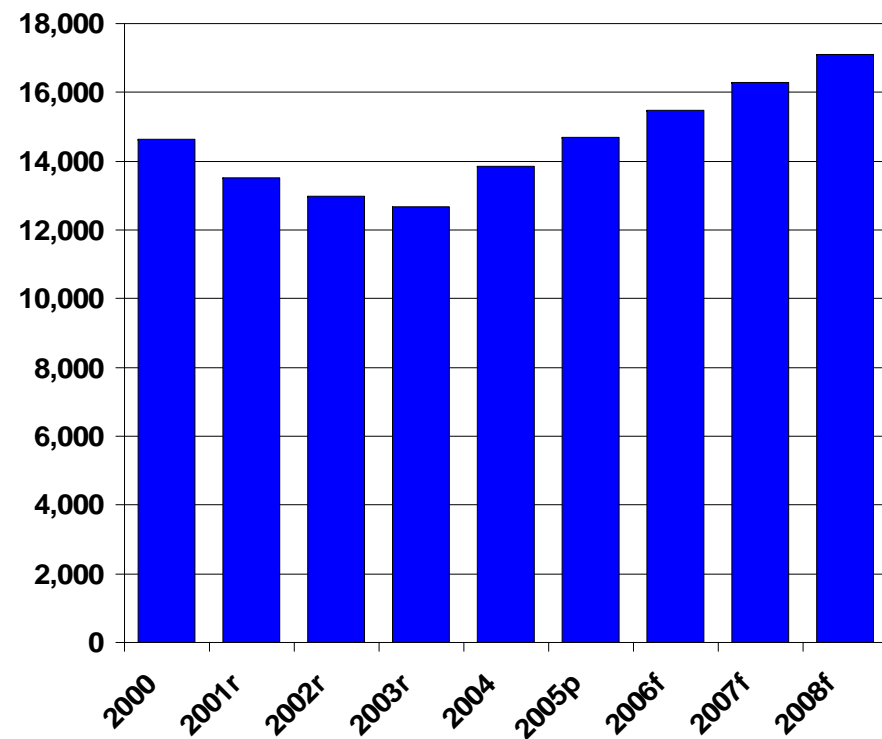
ECONOMIC NEWS

Canada's unemployment rate fell to 6.7% in June, the lowest it's been in 30 years. A net gain in jobs will fuel consumer spending.

TOURISM NEWS

In February 2005, more Canadians made trips abroad than at any other time over the last 10 years. Canadian travel to the U.S. is expected to increase at least through 2008. Canada remains the top market for both the U.S. and Utah in terms of international visitation.

Canadian Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries; Statistics Canada; Economist.com



MEXICO

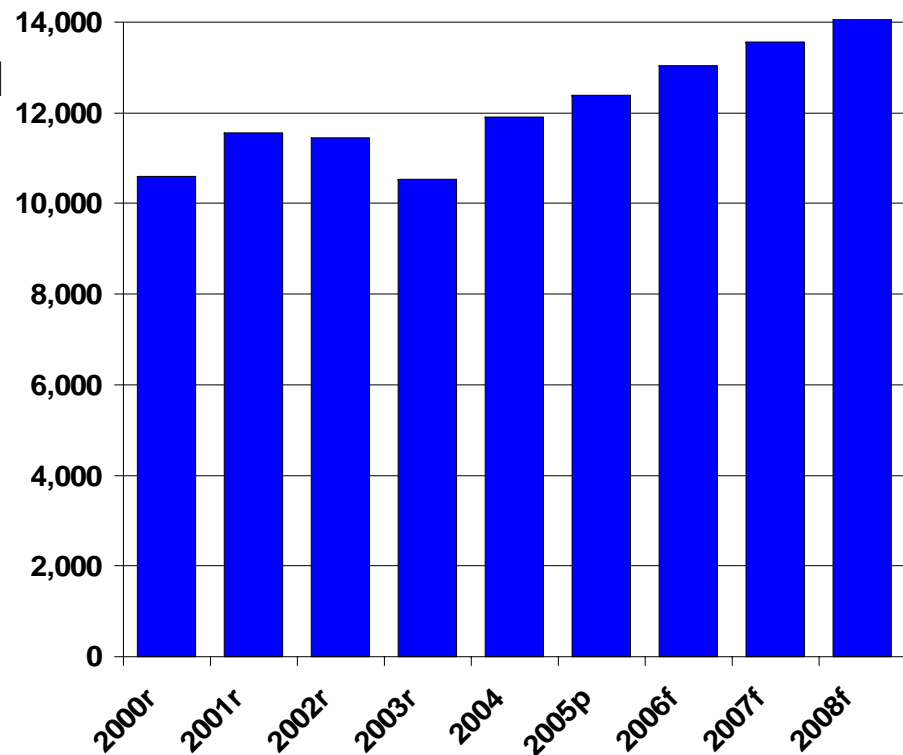
ECONOMIC NEWS

The Banco de Mexico (the central bank) has signaled an end to 13-months of monetary tightening and has de-linked policy from the U.S. Federal Reserve. Inflation will fall into the 2-4% range.

TOURISM NEWS

Previous estimates of Mexican visitation to the U.S. were low and have been revised by the Dept. of Commerce. Mexican travel to the U.S. should steadily increase. Almost two-thirds of Mexicans would like to visit Miami, Las Vegas, New York, Orlando, and San Francisco.

Mexican Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries; Economist.com; Global Outlook on International Tourism: Mexico, an address by Sarita Skidmore, President & Co-Founder, Menlo Consulting Group, Inc.



GERMANY

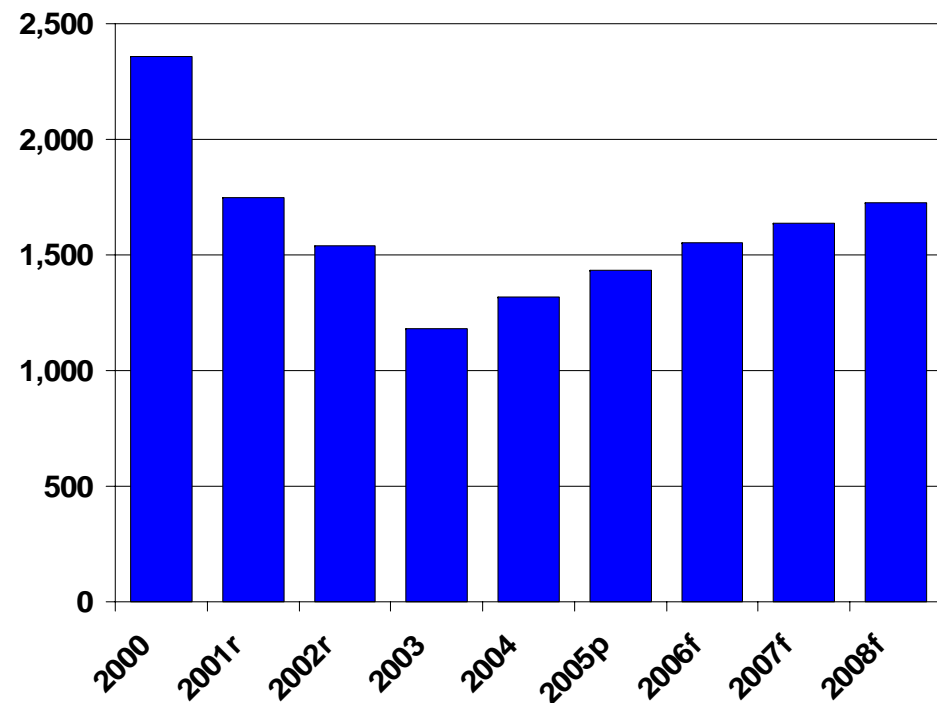
ECONOMIC NEWS

Germany's unemployment rate is among the highest in the EU, at 11.7%. GDP is predicted to rise by only 1.1% in 2005 and 1.3% in 2006.

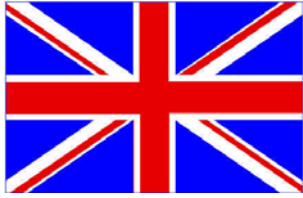
TOURISM NEWS

The U.S. is still a dream destination for German tourists, but due to a lot of marketing, Australia is becoming Germany's number one dream destination. The exchange rate makes the U.S. appealing, but a U.S. marketing campaign in Germany would be helpful. Germany is consistently one of Utah's top overseas markets

German Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries; Economist.com



UNITED KINGDOM

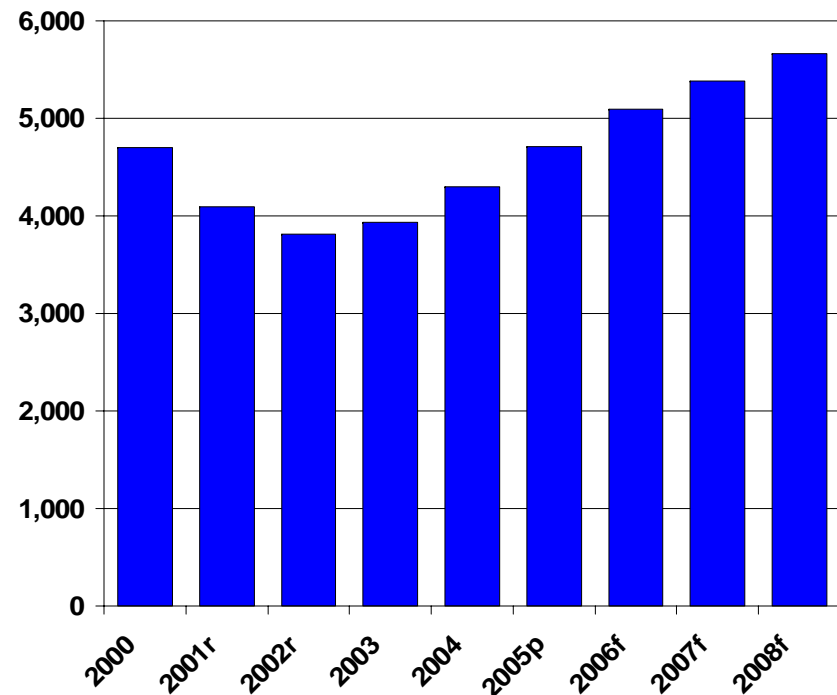
ECONOMIC NEWS

Leading indicators suggest that the UK's consumer boom is coming to an end. Real GDP growth will continue but at a slower rate. The threat of falling house prices remains strong.

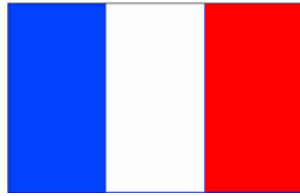
TOURISM NEWS

The lasting effects of the recent terrorist bombing in London remain to be seen. Before the bombing, there was concern that Britain's airports were overcrowded, and this could restrict Traffic Growth. The UK market is one of the most crucial overseas markets for the U.S. and Utah.

UK Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries;
Economist.com



FRANCE

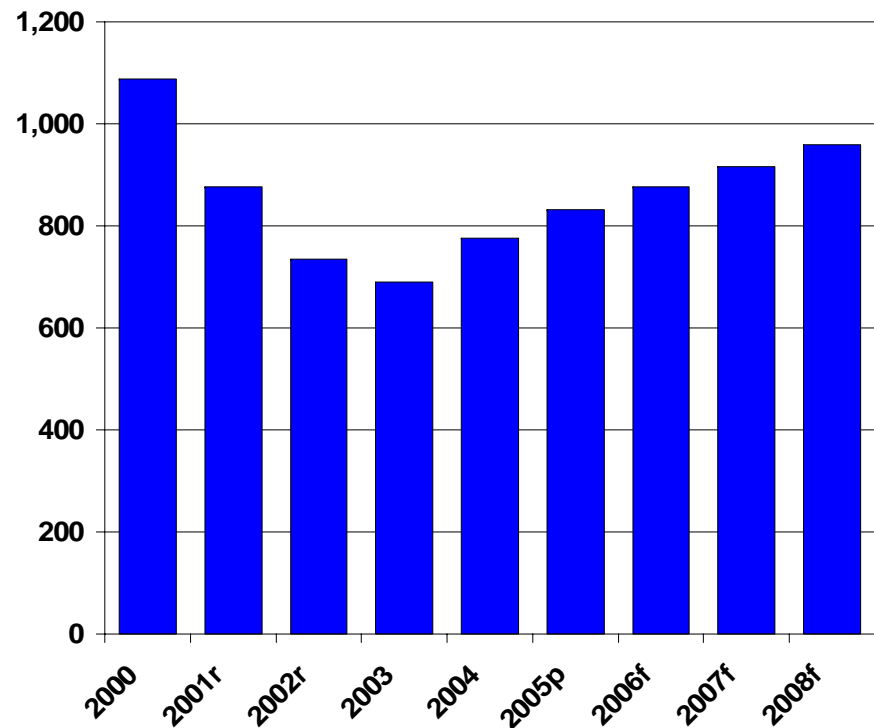
ECONOMIC NEWS

The French GDP is predicted to slow from 2.1% in 2004 to 1.4% in 2005. It should increase to 1.9% in 2006. Although the Euro has weakened against the dollar recently, it should continue to strengthen against the dollar in coming months.

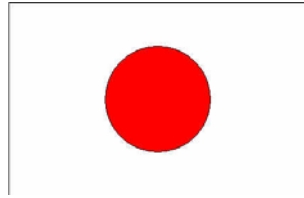
TOURISM NEWS

After three consecutive years of declines, U.S. arrivals from France increased in 2004, and that should continue in coming years. France is a key overseas market for Utah.

French Travelers to the US



**SOURCE: US Dept of Commerce,
ITA, Office of Travel & Tourism
Industries; Economist.com**



JAPAN

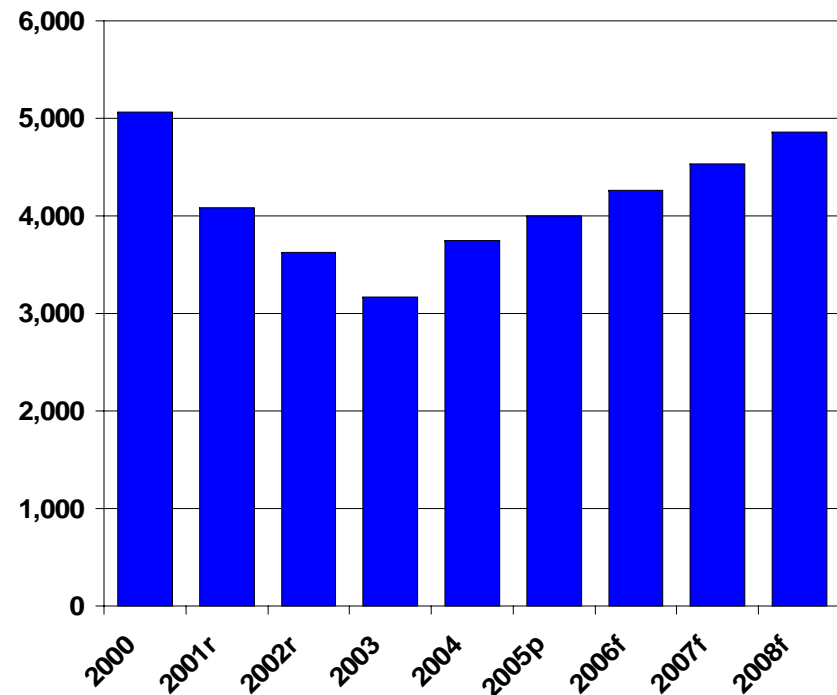
ECONOMIC NEWS

Japanese unemployment has fallen to 4.4%, its lowest level since 1998. It's predicted that GDP will grow by 1.4% in 2005 and 1.8% in 2006.

TOURISM NEWS

Most Asian arrivals to the U.S. come from Japan. In 2004, Japanese seniors started to travel again (they hadn't traveled as much in 2003 because of SARS and the Iraq war). The number of travelers should increase from 2005-2007, but will fall short of year 2000 levels.

Japanese Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries; Economist.com; Travel Journal International



NETHERLANDS

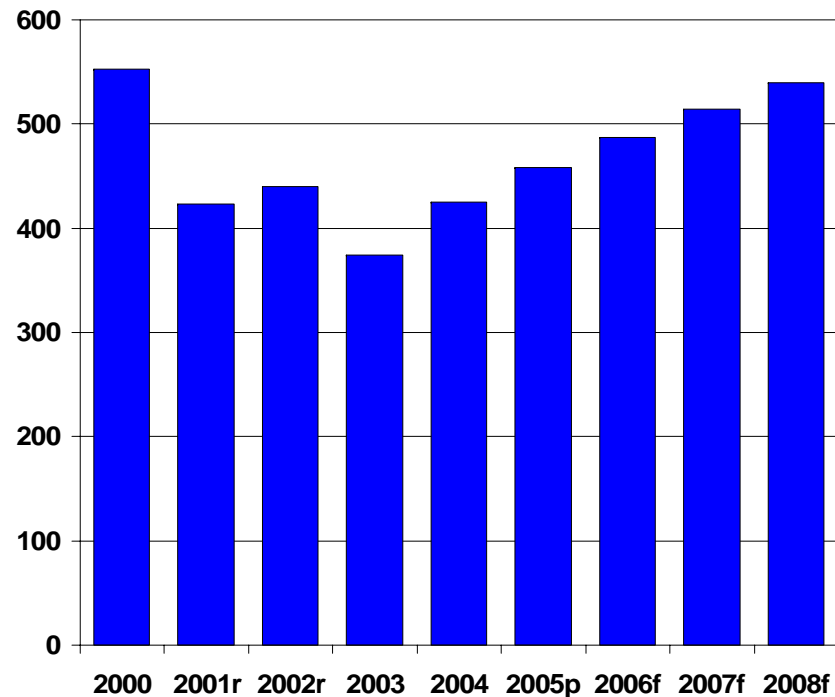
ECONOMIC NEWS

The Economist Intelligence Unit predicts that the Netherlands will experience GDP growth of 2% in 2005. Ultimately, the Euro is predicted to resume its appreciation against the U.S. dollar.

TOURISM NEWS

The number of tourists from the Netherlands is expected to grow steadily. This is another Western Europe nation that has shown a strong interest in seeing Utah's beauty.

Netherlands Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries; Economist.com



SOUTH KOREA

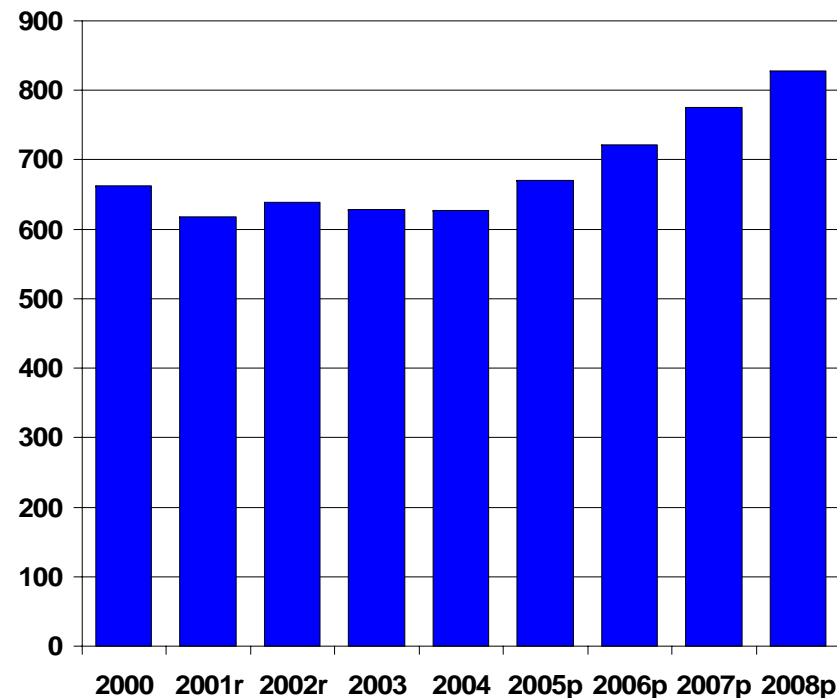
ECONOMIC NEWS

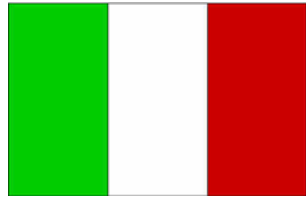
The Economist Intelligence Unit expects real GDP growth to slow to 3.1% in 2005 from 4.7% in 2004, and to recover only modestly in 2006, to 4.3%. The won will continue to appreciate against the U.S. dollar.

TOURISM NEWS

Korea is poised as a major growth market over the next several years. Although 2004 visitation was almost identical to 2003, steady growth is expected from 2005-2008. Uncertainty regarding North Korea could negatively affect the forecast.

Korean Travelers to the US





ITALY

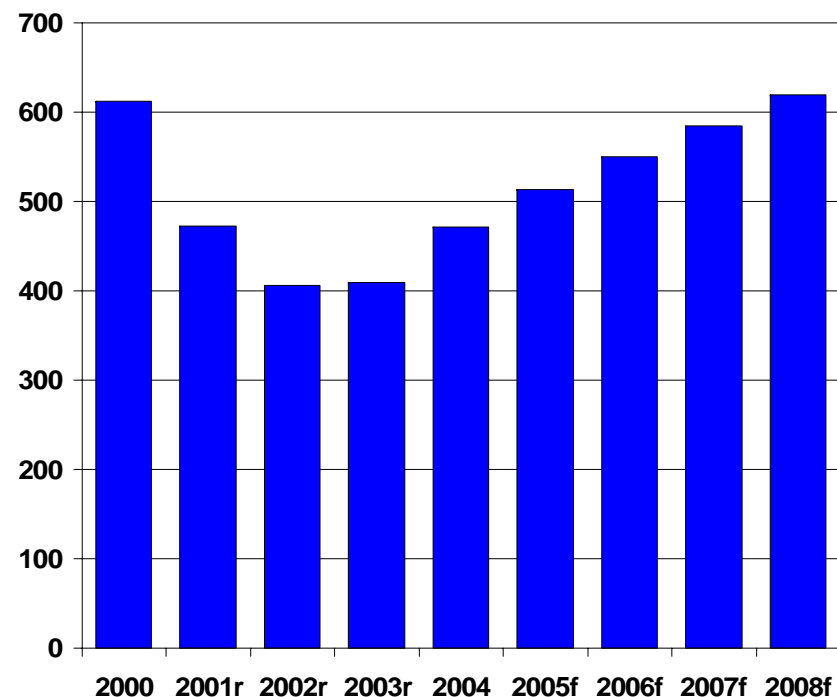
ECONOMIC NEWS

The budget deficit is forecast to rise from 3% of GDP in 2004 to 4-4.5% in 2005-06. GDP is forecast to narrow slightly in 2005, and grow by a modest 1.1% in 2006.

TOURISM NEWS

Steady growth in the number of travelers is expected to occur, with 2008 surpassing the totals of 2000.

Italian Travelers to the US



SOURCE: US Dept of Commerce, ITA, Office of Travel & Tourism Industries; Economist.com



AUSTRALIA

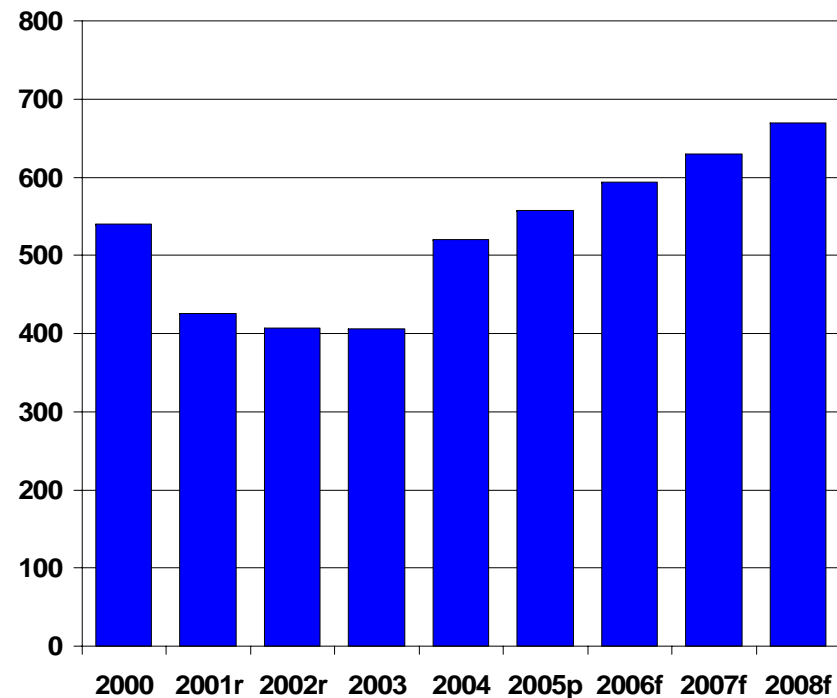
ECONOMIC NEWS

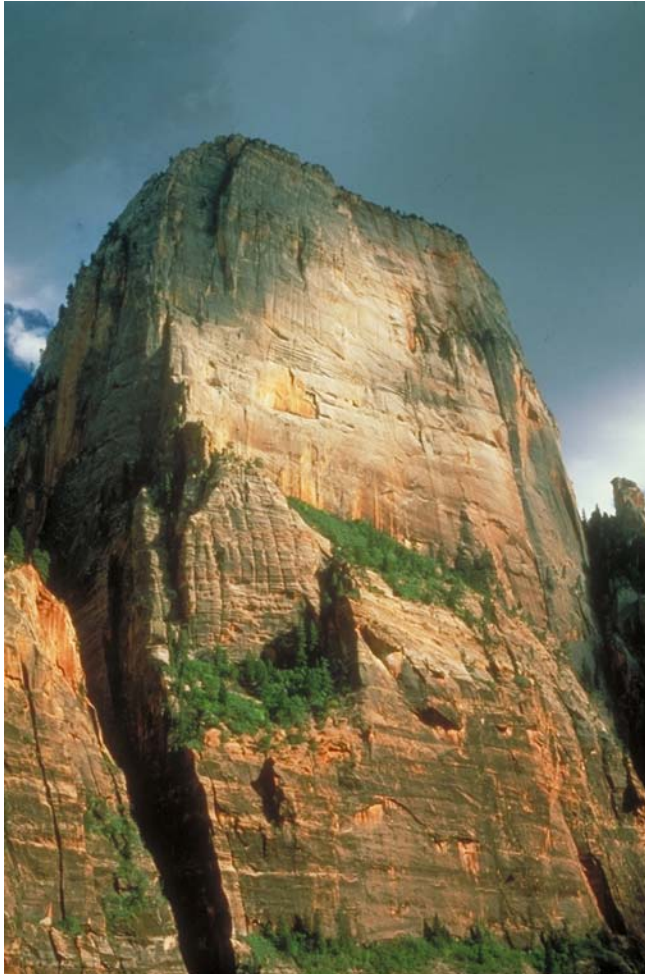
Real GDP growth is forecast to decelerate from 3.2% in 2004 to 2.3% in 2005 as domestic demand slows, although stronger export growth will support growth of 2.9% in 2006.

TOURISM NEWS

Although a relatively small market, U.S. arrivals are concentrated on the West Coast. The market should steadily increase in coming years. Australian visitors often pass through Los Angeles, San Francisco, or Las Vegas.

Australian Travelers to the US





For questions or comments:

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